

Financial Report

Police Pension and Relief Fund

City of Houma, Louisiana

December 31, 2002

TABLE OF CONTENTS

Police Pension and Relief Fund

December 31, 2002

	<u>Exhibits</u>	<u>Page Number</u>
Introductory Section		
Title Page		i
Table of Contents		ii - iii
Financial Section		
Independent Auditor's Report		1 - 2
Statement of Plan Net Assets	A	3
Statement of Changes in Plan Net Assets	B	4
Notes to Financial Statements	C	5 - 11
	<u>Schedules</u>	
Required Supplementary Information Section		
Schedule of Employer Contributions	1	12
Actuarial Methods and Assumptions	2	13
Supplementary Information Section		
Independent Auditor's Report on Additional Information		14
Schedule of Additions and Deductions for the Years Ended December 31, 2002, 2001 and 2000	3	15
Graph of Additions for the Years Ended December 31, 2002, 2001 and 2000	4	16
Graph of Deductions for the Years Ended December 31, 2002, 2001 and 2000	5	17

TABLE OF CONTENTS
(Continued)

	<u>Page Number</u>
Special Reports Of Certified Public Accountants	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <u>Government</u> <u>Auditing Standards</u>	18 - 19
Schedule of Findings	20
Reports By Management	
Schedule of Prior Year Findings	21
Management's Corrective Action Plan	22

FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Police Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the accompanying basic financial statements of the Police Pension and Relief Fund (the Pension Fund), a component unit of Terrebonne Parish Consolidated Government (the Parish), as of and for the year ended December 31, 2002, as listed in the table of contents. These basic financial statements are the responsibility of the Pension Fund's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Police Pension and Relief Fund as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2b) to the basic financial statements, the Pension Fund has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, as of January 1, 2002.

The Pension Fund has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2003 on our consideration of the Police Pension and Relief Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
April 15, 2003.

STATEMENT OF PLAN NET ASSETS**Police Pension and Relief Fund**

December 31, 2002

Assets

Cash	\$ 102,969
Investments, at fair value	<u>899,145</u>
Total assets	1,002,114

Liability

Accrued expenses	<u>1,800</u>
------------------	--------------

Net Assets Held in Trust for Pension Benefits	<u><u>\$ 1,000,314</u></u>
---	----------------------------

See notes to financial statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS**Police Pension and Relief Fund**

For the year ended December 31, 2002

AdditionsContributions - Terrebonne Parish
Consolidated Government

\$ 173,410

Investment income:

Net depreciation in fair value of investments

(1,210)

Interest

19,685

Total investment income

18,475

Total additions

191,885

Deductions

Benefits paid

202,615

Administrative expenses:

Professional

1,800

Other

27

Total deductions

204,442

Net Decrease

, (12,557)

Net Assets Held in Trust for Pension Benefits

Beginning of year

1,012,871

End of year

\$ 1,000,314

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Police Pension and Relief Fund**

December 31, 2002

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the City of Houma's Police Pension and Relief Fund (the Pension Fund) is provided for general information purposes only. Participants should refer to the applicable state statutes for more complete information.

a) Plan History

The Pension Fund was established for members of the City of Houma Police Department in 1951 under the provisions of City of Houma Ordinance No. 2038 (10/30/51) and revised Ordinance No. 3313 (5/27/80). On September 13, 1983, the City of Houma Board of Aldermen voted to enter into an agreement to merge the Plan with the Municipal Police Employees Retirement System of the State of Louisiana (MPERS). The merger was effective October 1, 1983. The Plan has been closed to new participants since October 1, 1983. The Board of Trustees is required to maintain funds to be used to provide retirement benefits as follows:

1. Retirement under the provisions of the Plan for those policemen not meeting the eligibility requirements of MPERS,
2. Retirement benefits for those policemen who retired prior to the first anniversary of the merger date, and
3. Benefits to be paid in excess of those provided by MPERS.

b) General

The Pension Fund (a defined benefit pension plan) is a single-employer Public Employee Retirement System (PERS) administered by a Board of Trustees (the Board). The Board consists of the Director of Finance for Terrebonne Parish Consolidated Government (the Parish), the Chief of Police of the City of Houma and one member elected from the Police Department of the City of Houma by a majority vote.

Note 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

c) Plan Membership

At December 31, 2002, employee membership consisted of:

Retirees and beneficiaries currently receiving benefits	7
Current active members	<u>7</u>
Total employee members	<u>14</u>

d) Plan Benefits

Pension Benefits - Employees with twenty or more years of service regardless of age are entitled to annual pension benefits equal to two-thirds of the highest average monthly salary for any continuous twelve-month period of time worked prior to retirement, but the benefits shall not be less than \$100 per month. At age fifty, retirement benefits are assumed by MPERS.

Death and Disability Benefits - All death and disability benefits are assumed by MPERS.

e) Employer Contributions

Funding Policy - The Parish contributions are established biennially by an actuary in the valuation report for the Pension Fund. The Aggregate Actuarial Cost Method was used and the actuarial accrued liability is equal to the actuarial value of assets, therefore there is no unfunded actuarial accrued liability. It was determined that there was an unfunded present value of contingent benefits in excess of assets in the amount of \$779,300 based on the December 31, 2000 actuarial valuation. Administrative costs are financed through investment earnings.

Annual Pension Cost - The annual required contribution for the current year was determined to range from \$173,410 to \$183,815 as part of the December 31, 2000 actuarial valuation using the Aggregate Actuarial Cost Method. The actuarial assumptions included 6.00% investment rate of return (net of expenses). The Net Pension Asset was \$13,300 for 2002. The amortization information was not made available by the actuary, but the amount is considered to be immaterial.

No new employees have entered into the Pension Fund since the merger with MPERS and no contributions by employees have been made since the merger.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pension Fund conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a) Reporting Entity

The Pension Fund is a component unit of the Parish and, as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2002.

The Pension Fund has reviewed all of its activities and determined that there are no potential component units, which should be included in its financial statements.

b) Change in Accounting

In June 1999, GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. One of the more significant changes in Statement No. 34 include for the first time a Management’s Discussion and Analysis (MD&A) section providing an analysis of the Pension Fund’s overall financial position and results of operations and financial statements prepared using full accrual accounting for all of the Pension Fund’s activities. The Pension Fund has not presented Management’s Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. However, other changes are reflected in the accompanying basic financial statements (including notes to financial statements). The Pension Fund has elected to implement the general provisions of Statement No. 34 in the current year.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Change in Accounting (Continued)

For the year ended December 31, 2002, the Pension Fund also implemented the following GASB Standards:

- Statement 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus
- Statement 38 – Certain Financial Statement Disclosures
- Interpretation No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

c) Fund Accounting

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The accounts of the Pension Fund are organized on the basis of a Trust Fund. Trust Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

d) Basis of Accounting

Trust Funds are accounted for using the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Method Used to Value Investments

Investments are reported at fair value except for the Louisiana Asset Management Pool (LAMP). Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value. Investments during the year consisted of Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and LAMP. LAMP is an external pool, which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices if certain conditions are met.

Note 3 - DEPOSITS AND INVESTMENTS

Bank Deposits:

State law requires deposits (cash) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision, or with an unaffiliated bank or trust company for the account of the political subdivision.

Deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the Pension Fund or its agent in the Pension Fund's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the Pension Fund's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agent but not in the Pension Fund's name and deposits which are uninsured or uncollateralized.

Note 3 - DEPOSITS AND INVESTMENTS (Continued)

The year end bank balance of deposits are as follows:

	<u>Bank Balances</u>			
	Risk Category			Reported
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Cash	<u>\$100,000</u>	<u>\$ -</u>	<u>\$ 2,969</u>	<u>\$102,969</u>

At December 31, 2002, cash in excess of the FDIC insurance were collateralized with securities held by an unaffiliated bank in the account of the Fund. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

Investments held at December 31, 2002 consist of \$899,145 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at December 31, 2002 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities.

Note 3 - DEPOSITS AND INVESTMENTS (Continued)

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Note 4 - REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB Statement No. 25, required supplementary information can be found in the attached schedules.

Note 5 - COMPENSATION OF BOARD MEMBERS

Members of the Pension Fund Board serve without compensation.

Note 6 - SUBSEQUENT EVENT

In March 2003 the Pension Fund received the December 31, 2002 actuarial valuation, which resulted in a decrease in the unfunded liability amount of \$396,677 for a total unfunded liability of \$382,623. Furthermore the required contribution decreased to \$101,539 and the Pension Fund anticipates funding at the required level in future years.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS**Police Pension and Relief Fund**

December 31, 2002

<u>Year Ended December 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
1996	\$38,895	\$38,895	100%
1997	\$35,109	\$35,109	100%
1998	\$34,101	\$34,101	100%
1999	\$33,082	\$34,101	103%
2000	\$35,067	\$35,067	100%
2001	\$173,410	\$173,410	100%
2002	\$173,410	\$173,410	100%

ACTUARIAL METHODS AND ASSUMPTIONS**Police Pension and Relief Fund**

December 31, 2002

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2000.
Actuarial cost method	Aggregate Actuarial Cost Method, level % of pay.
Amortization method	This method does not identify or separately amortize unfunded actuarial liabilities.
Asset valuation method	Market value.
Actuarial assumptions:	
Investment rate of return	6% per year compounded annually.
Mortality	Based on the 1983 Group Annuity Mortality Table for Males and Females.
Termination, disability and retirement	Rates of withdrawal and termination from active service before retirement for reasons other than death (based on a table in the actuarial report which is used in similar systems) and rates of disability (based on the Eleventh Actuarial Valuation of the Railroad Retirement System).
Salary increases	Vary according to age ranging from 3% (age 55) to 6.1% (age 25) per year compounded annually.
Cost-of-living adjustments	Adjusted for projected increases in the standard of living.

SUPPLEMENTARY INFORMATION SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Trustees,
Police Pension and Relief Fund,
City of Houma, Louisiana.

Our report on our audit of the basic financial statements of the Police Pension and Relief Fund (the Pension Fund) for the year ended December 31, 2002, appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on such financial statements taken as a whole. The information contained in the schedule of additions and deductions and graphs of additions and deductions for the year ended December 31, 2002 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2002, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the statements of plan net assets of the Police Pension and Relief Fund as of December 31, 2001 and 2000, and the related statements of changes in plan net assets for each of the two years in the period ended December 31, 2001 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information presented in the schedule of additions and deductions and graphs of additions and deductions for the years ended December 31, 2001 and 2000 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
April 15, 2003.

SCHEDULE OF ADDITIONS AND DEDUCTIONS**Police Pension and Relief Fund**

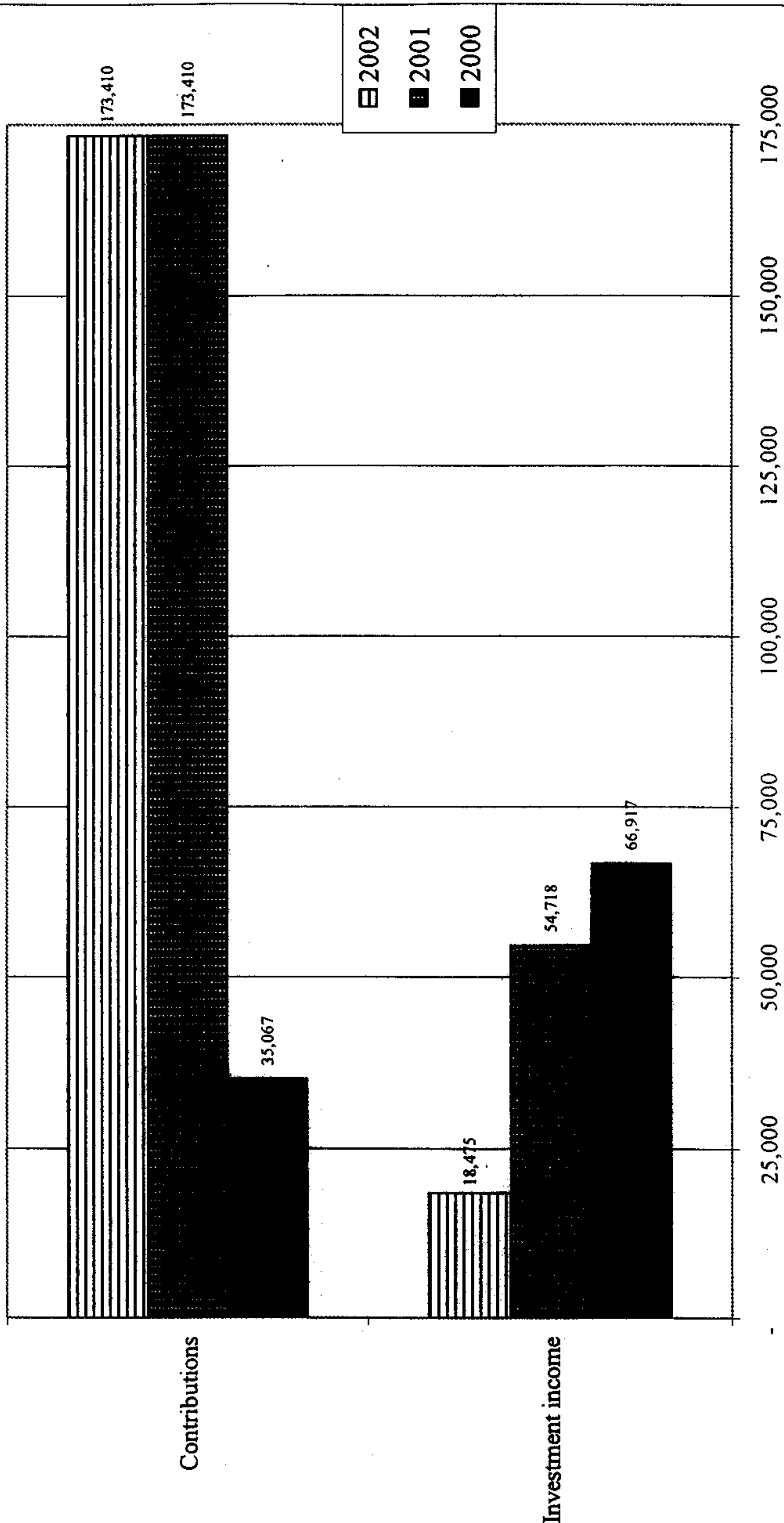
For the years ended December 31, 2002, 2001, and 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
ADDITIONS			
Contributions	\$ 173,410	\$ 173,410	\$ 35,067
Investment income	<u>18,475</u>	<u>54,718</u>	<u>66,917</u>
Total additions	<u>\$ 191,885</u>	<u>\$ 228,128</u>	<u>\$ 101,984</u>
DEDUCTIONS			
Benefits paid	\$ 202,615	\$ 231,728	\$ 217,964
Professional	1,800	5,466	1,800
Other	<u>27</u>	<u>10</u>	<u>90</u>
Total deductions	<u>\$ 204,442</u>	<u>\$ 237,204</u>	<u>\$ 219,854</u>

ADDITIONS

Police Pension and Relief Fund

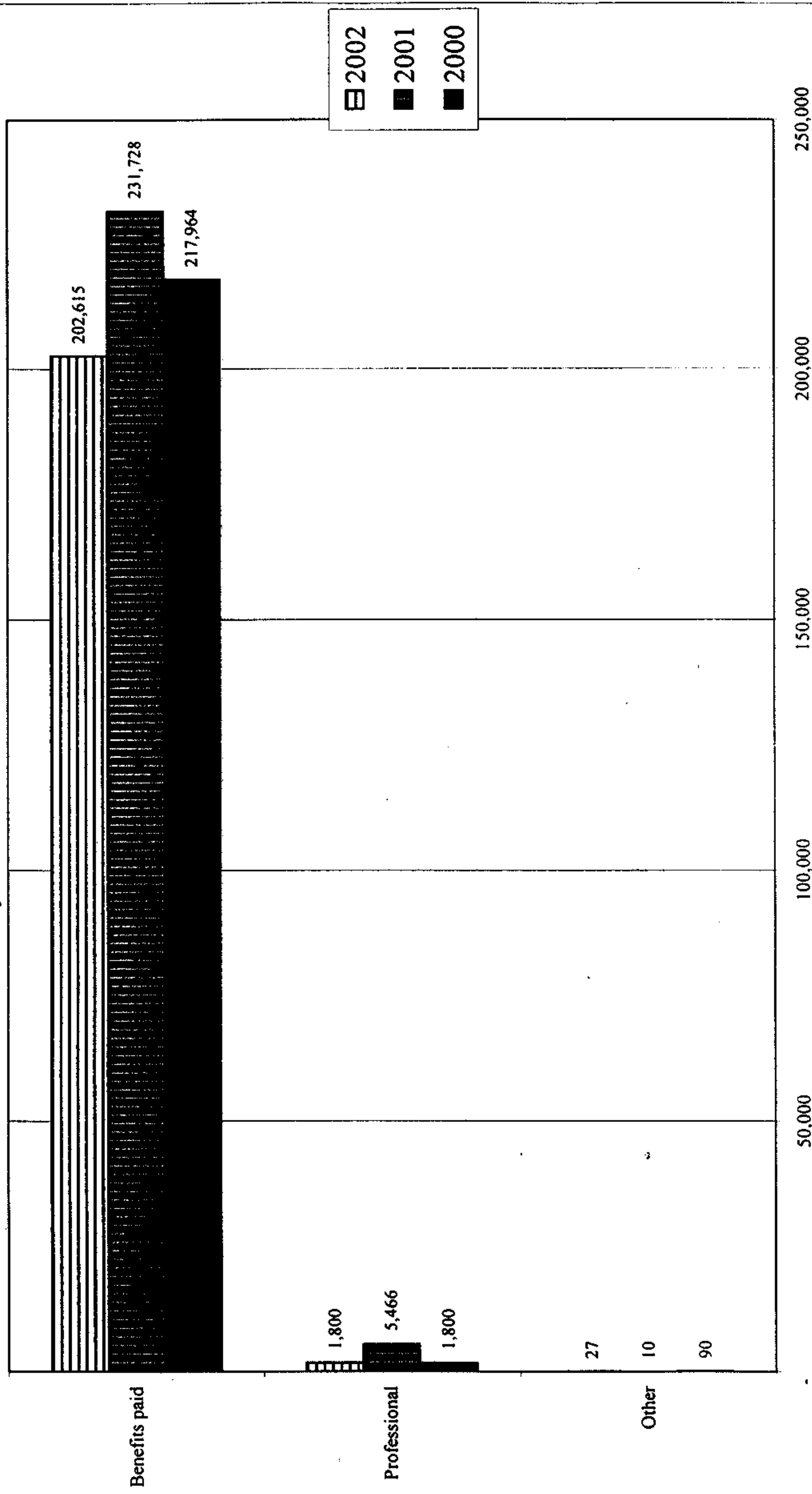
For the years ended December 31, 2002, 2001 and 2000



DEDUCTIONS

Police Pension and Relief Fund

For the years ended December 31, 2002, 2001 and 2000



SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees,
Police Pension and Relief Fund,
City of Houma, Louisiana.

We have audited the basic financial statements of the Police Pension and Relief Fund (the Pension Fund), a component unit of Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2002, and have issued our report thereon dated April 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pension Fund's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pension Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or

one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
April 15, 2003.

SCHEDULE OF FINDINGS

Police Pension and Relief Fund

For the year ended December 31, 2002

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

b) Federal Awards

The Police Pension and Relief Fund did not receive federal awards during the year ended December 31, 2002.

Section II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended December 31, 2002.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

Police Pension and Relief Fund

For the year ended December 31, 2002

Section I Internal Control and Compliance Material to the Basic Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2001.

No reportable conditions were reported during the audit for the year ended December 31, 2001.

Compliance

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2001.

Section II Internal Control and Compliance Material to Federal Awards

The Police Pension and Relief Fund did not receive federal awards during the year ended December 31, 2001.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2001.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Police Pension and Relief Fund

For the year ended December 31, 2002

Section I Internal Control and Compliance Material to the Basic Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2002.

No reportable conditions were reported during the audit for the year ended December 31, 2002.

Compliance

No compliance findings material to the basic financial statements were noted during the audit for the year ended December 31, 2002.

Section II Internal Control and Compliance Material to Federal Awards

The Police Pension and Relief Fund did not receive federal awards during the year ended December 31, 2002.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2002.